

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-201-WS ORDER NO. 2013-_____
DECEMBER __, 2013

IN RE:)	ORDER APPROVING
Application of Utilities Services of South)	INCREASE IN RATES
Carolina, Inc. for Adjustment of Rates and)	AND CHARGES,
Charges and Modifications of Certain Terms)	RATE SCHEDULE
and Conditions for the Provision of Water and)	MODIFICATIONS AND
Sewer Service)	SETTLEMENT
_____		AGREEMENT

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on an application for approval of a new schedule of rates and charges for water and sewer services (“Application”) filed by Utilities Services of South Carolina (“USSC” or the “Company”). USSC is a National Association of Regulatory Utility Commissioners (“NARUC”) Class A water utility and a NARUC Class C wastewater utility. USSC provides water and wastewater service to certain residents of Abbeville, Anderson, Cherokee, Lexington, Richland, Saluda, Sumter, and York Counties. USSC provides water services and water distribution services to 6,361 residential and commercial customers and wastewater collection and treatment services to 354 residential and commercial customers.

This matter was initiated on June 28, 2013, when USSC filed an Application with the Commission for the adjustment of its rates and charges and for modifications of certain terms and conditions for the provision of water and sewer service to its customers. *See* S.C. Code Ann. §58-5-240 (Supp. 2012). According to USSC's Application, the rates sought by the Company would permit it the opportunity to earn an additional \$1,448,799 in annual revenues.

The Commission issued a Notice of Filing and Hearing in this matter on July 10, 2013, and a Revised Notice of Filing and Hearing on July 22, 2013. The original Notice of Filing and Hearing set the hearing for October 24, 2013, but the Revised Notice of Filing and Hearing rescheduled the hearing for November 4, 2013. The Revised Notice of Filing indicated the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings. The Commission instructed USSC to publish the Revised Notice of Filing in a newspaper of general circulation in the areas affected by USSC's Application. In the same correspondence, the Commission also instructed USSC to notify each customer affected by the Application. USSC furnished the Commission with Affidavits of Publication demonstrating that the Revised Notice of Filing had been duly published and with an Affidavit of Mailing, in which USSC certified compliance with the Commission's instruction to mail a copy of the Revised Notice of Filing to all customers affected by the Application.

Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012), the South Carolina Office of Regulatory Staff (“ORS”) is a party of record in this proceeding. No additional parties filed to intervene in the case as a party of record

On August 14, 2013, the Commission issued Order No. 2013-601 granting the request of Representatives Anne J. Thayer and Brian White for a local public hearing in Anderson County. On August 28, 2013, the Commission issued Order No. 2013-628 granting the request of resident homeowners of the Shandon Subdivision for a local public hearing in York County. Then on September 28, 2013, the Commission issued Order No. 2013-693 granting the request of Representative Joseph A. McEachern for a local public hearing in the Richland County area. The Commission orders granting the public hearings directed the Commission Staff to schedule the public hearings, and local public hearing were scheduled and held on October 1, 2013, in Anderson, South Carolina; on October 3, 2013, in York, South Carolina; and on November 4, 2013, in Columbia, South Carolina.

At the hearing on November 4, 2013, USSC and ORS (the “Parties”) filed a Settlement Agreement (the “Settlement Agreement”) with the Commission. The Parties represented to the Commission that they had negotiated a resolution to the issues presented in this case and determined that their interests would best be served by settling under the terms and conditions set forth in the Settlement Agreement which is attached hereto as Order Exhibit 1. ORS stated in the Settlement Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. The Settlement Agreement provides for rates that would produce additional annual revenues of \$841,000, a 9.23% rate of return on

equity ("ROE"), a 7.84% rate of return on rate base ("ROR"), and a 12.48% operating margin. The rates included in the Settlement Agreement provide for an increase in water rates which allow USSC to charge residential water customers being served from a well source a base facility charge of \$19.75 per month and a commodity charge of \$7.02 per 1,000 gallons; to charge residential customers being served by a third party bulk supplier a base facility charge of \$19.75 per month and a distribution charge of \$3.75 per 1,000 gallons and a pro rata share of the cost of water from the bulk suppliers; and to charge commercial water customers with a 1" meter or larger a higher base facility charge for water service plus the cost of water. Residential sewer service rates are increased to \$53.55 per month, commercial sewer service rates are increased to \$53.55 per single family equivalent ("SFE"), and collection service only rates are increased to \$34.44 per residential unit for residential customers or per SFE for commercial customers plus treatment charges imposed by a third party.

**I. TESTIMONY RECEIVED FROM THE PARTIES
AND THE PUBLIC WITNESSES**

Under Commission Orders No. 2013-601, No. 2013-628, and No. 2013-693, public hearings were set and noticed by the Commission to be held at the Northpoint Elementary School in Anderson on October 1, 2013, at 6:00 P.M.; at the Harold C. Johnson Elementary School in York on October 3, 2013 at 6:00 P.M.; and at the Commission's Hearing Room in Columbia on November 4, 2013, at 6:00 P.M. Approximately 84 members of the public were present at the public hearing in Anderson and of that number, 16 appeared as witnesses to provide testimony and documentary evidence. At the public hearing in York,

approximately 18 members of the public attended and 7 appeared as witnesses to provide testimony and documentary evidence. At the November 4 public hearing in Columbia, 10 members of the public testified before the Commission.

A public hearing was held in the offices of the Commission on November 4, 2013, beginning at 10:00 a.m., to receive testimony from the Parties and any public witnesses. The Honorable G. O'Neal Hamilton, Chairman of the Commission, presided. USSC was represented by Charles L. A. Terreni, Esquire and Scott Elliott, Esquire. ORS was represented by Jeffrey M. Nelson, Esquire and Florence P. Belser, Esquire.

At the beginning of the hearing, the Commission received the Settlement Agreement and without objection accepted the Settlement Agreement in the record as Hearing Exhibit Number 9. One public witness, Ms. Linda Fick, appeared and offered testimony and documentary evidence. *See*, Hearing Exhibit 10.

By agreement of the parties, the prefiled Direct Testimonies (and, where applicable, exhibits) of USSC's witnesses Steven M. Lubertozzi, Pauline Ahern and Dylan D'Ascendis and ORS witness Douglas H. Carlisle, Ph.D. were stipulated into the record. Witnesses appearing for USSC were Richard J. Durham and Patrick Flynn. Mr. Durham presented his prefiled Settlement Testimony, and Mr. Flynn presented his prefiled Direct Testimony and prefiled Rebuttal Testimony and Exhibits. Mr. Flynn also adopted and sponsored the prefiled Direct Testimony and prefiled Rebuttal Testimony and Rebuttal Exhibits of Karen Sasic. ORS presented Willie J. Morgan and Ivana Gearheart as witnesses. Mr. Morgan sponsored his prefiled Direct Testimony and Exhibits. Ms. Gearheart presented her prefiled Direct Testimony and Exhibits and also sponsored Settlement Exhibit ICG-1,

which was her original Exhibit ICG-1 updated to illustrate the effects of the Settlement Agreement. *See*, Hearing Exhibit 17.

USSC witness Durham presented the Settlement Agreement and described the terms of the Settlement Agreement. Mr. Durham testified that under the terms of the Settlement Agreement additional operating revenues of \$841,000 would be generated, a reduction in the additional revenues requested in USSC's application of \$607,799. Mr. Durham further testified that the Agreement provided for a 9.23% ROE, a 7.84% ROR, and an operating margin of 12.48%. Mr. Durham testified that the Settlement Agreement and the rates produced thereunder are fair and reasonable and in the public interest and urged the Commission to approve the Settlement Agreement.

Mr. Durham testified in response to issues raised by ORS that USSC would submit for Commission approval bulk water agreements entered into to obtain supplemental water. Further, Mr. Durham acknowledged that USSC would maintain the provision in its tariff which caps the amount of non-account water USSC is allowed to pass-through to its customers who are supplied water through a third party bulk provider at 10%.

In response to Commission questions regarding possible consolidation of the five Utilities, Inc. companies operating in South Carolina, of which USSC is one, Mr. Durham stated that Utilities, Inc. has had internal discussions on this topic and is proceeding rapidly with a proposal.

Mr. Flynn provided testimony describing USSC's operations and details of capital investment made by USSC since 2006. Mr. Flynn testified that USSC has approximately 6,400 water customers in 81 water systems and approximately 350 sewer customers located

in York County. From December 31, 2006, which was the end of the test year in the last rate case, Mr. Flynn testified regarding the details of some of the more substantial capital investments made in USSC's water system. Among the capital investments described by Mr. Flynn were relocation of a four-inch water main due to a South Carolina Department of Transportation Highway project; construction of a new well, well house, chemical feed and storage equipment, and instrumentation in Washington Heights; interconnection of the water system with York County in the Foxwood Subdivision; a new well in Farrowood Estates; upgrades to the chemical feed and storage facilities in Charleswood; replacement of a well building and chemical storage and feed equipment in Springfield Acres; replacement of a hydro-pneumatic tank in Milmont Acres; replacement of a water main in Dutchman Shores; replacement of a well in Murray Lodge; upgrades to wells serving Nevitt Forest, Leon Bolt, and Normandy in Anderson County; and a new well house, chemical storage, and chemical feed equipment in Estates at Hilton subdivision. With regard to investment in the sewer systems, Mr. Flynn testified to upgrades of headworks and installation of baffle curtains and disinfection equipment at Foxwood and upgrades in Shandon to allow for nutrient removal and to meet permit limits.

Mr. Flynn also addressed concerns raised by Ms. Linda Fick, a public witness who is a resident of the Shandon Subdivision in York County. Ms. Fick appeared at the hearing on November 4 and presented her testimony. In addition to her oral testimony, Ms. Fick provided detailed written comments and numerous exhibits. *See* Hearing Exhibit 10. The gravamen of Ms. Fick's concerns are the rates charged, water quality especially concerning elevated levels of lead, copper, and chlorine, perceived inattention and neglect to facilities,

and violations of orders of the South Carolina Department of Health and Environmental Control ("DHEC") resulting in fines.

Mr. Flynn also adopted and sponsored the prefiled Direct and Rebuttal Testimonies of Ms. Karen Sasic. This testimony prepared by Ms. Sasic and adopted by Mr. Flynn and Mr. Flynn's Rebuttal Testimony addressed the concerns raised by the public witnesses who had testified at the night hearings held by the Commission on October 1 and 3, 2013 in Anderson and York.

With respect to concerns raised by witnesses during the night hearing of November 4, 2013, in Columbia, USSC submitted verified testimony of Bob Gilroy wherein Mr. Gilroy addressed the issues raised by customers at the November 4 night hearing.

ORS witness Gearheart testified concerning her exhibit captioned Settlement Exhibit ICG-1. In the Settlement Agreement between the Parties, USSC accepted certain accounting adjustments proposed by ORS. The accounting adjustments proposed by ORS removed non-allowable, non-recurring, non-regulatory and outside the test year expenses as well as various rate base items. The net effect of the proposed adjustments was a reduction of \$24,096 to the Company's per book Total Operating Expenses and a reduction of \$1,934,632 to the Company's per book Total Rate Base. These adjustments were accepted by USSC for purposes of this rate case resulting in as adjusted Total Operating Expenses of \$2,829,357 and as adjusted rate base of \$11,536,039.

Ms. Gearheart updated her Exhibit ICG-1 contained in the exhibits with her prefiled Direct Testimony to reflect the \$841,000 revenue requirement which resulted from the Settlement Agreement and identified the updated exhibit as Settlement Exhibit ICG-1. *See*

Hearing Exhibit 17. According to Ms. Gearhart's Settlement Exhibit ICG-1, as adjusted test year Total Operating Revenues were \$3,219,464, as adjusted Total Operating Expenses were \$2,829,357, and Customer Growth of \$112 was added, resulting in Net Income for Return of \$390,219. Also, ROR was computed as 3.38%, and Operating Margin was calculated as -0.24%. After the increase of \$841,000 contained in the Settlement Agreement, Total Operating Revenues are calculated as \$4,060,464, Total Operating Expenses are calculated as \$3,156,040, Customer Growth of \$253 is added, and Net Income for Return is calculated as \$904,677, with a resulting Operating Margin of 12.48%. Using the ROE of 9.23% agreed to in the Settlement Agreement, ROR after the increase is 7.84%

ORS witness Morgan's testimony stated that USSC is a NARUC Class A water utility and a NARUC Class C wastewater utility providing service to portions of Abbeville, Anderson, Lexington, Richland, Saluda, Sumter, and York Counties. According to information contained in the Company's Application, water supply/distribution services were provided to 6,361 residential and commercial customers, and wastewater collection and treatment services were provided to 354 residential and commercial customers. Mr. Morgan's testimony provided a summary of ORS's Business Office Compliance Review and a summary of ORS inspections of USSC's water supply/distribution and wastewater collection/treatment systems.

With regard to USSC's water supply/distribution systems, ORS identified planned construction activity at one of the well sites in the Lake Village community and observed interconnections to bulk suppliers were completed in Towncreek Acres, Purdy Shores,

Foxwood, Indian Cove, Charleswood, and Farrowood subdivisions. ORS also recognized that USSC had not obtained approval from the Commission for the bulk water supplier agreements associated with several of the interconnections. ORS recommended that USSC seek Commission approval for the bulk water agreements and any other contracts that may “impact, pertain to or effect” the fitness, willingness or ability of USSC to provide water services as required by Commission Regulation 103-743.

As to USSC’s wastewater systems, Mr. Morgan presented testimony that the last inspection by DHEC noted deficiencies concerning flow measurement and self-monitoring at the wastewater treatment plant serving customers in the Shandon subdivision. Mr. Morgan further stated that DHEC had classified these deficiencies as minor. Mr. Morgan also noted during the ORS Business Office compliance review that USSC did not provide the Commission and the ORS with notices of violations of Commission or DHEC rules as required by Commission Regulations 103-514.C and 103-714.C.

ORS made adjustments to the Company’s per books service revenues using detailed customer billing data and corresponding SFE ratings for each customer. Mr. Morgan also stated that the data was provided by USSC during the audit process. As reflected in Hearing Exhibit 17, the as adjusted Total Operating Revenues are \$3,219,464.

Dr. Carlisle’s Direct Testimony addressing the issue of a fair and reasonable ROE was stipulated into the record, and Dr. Carlisle was made available for questions from the Commissioners. In reaching his recommended range, Dr. Carlisle evaluated the return requirements of investors of a group of publicly held water and sewerage service companies and a Comparable Earnings Model (“CEM”) group. Then, Dr. Carlisle applied

the Discounted Cash Flow (“DCF”) Model and the Capital Asset Pricing Method (“CAP-M”) to the group of publicly held water and sewerage service companies, and he applied the CEM to the CEM group. Based on his analysis, Dr. Carlisle recommended a ROE for USSC in the range of 8.86% to 9.60%.

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the Application, the Settlement Agreement, the testimony and exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission makes the following findings of fact:

1. By statute, the Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (1976). The Company is engaged in the business of providing water and wastewater collection and treatment services to the public for compensation in portions of Abbeville, Anderson, Cherokee, Lexington, Richland, Saluda, Sumter, and York Counties and is therefore a public utility subject to the Commission’s jurisdiction.

2. The Company is lawfully before the Commission on an application for rate relief and modifications to the terms and conditions of its services pursuant to S.C. Code Ann. §58-5-240(A) (Supp. 2012) and 10 S.C. Code Ann. Regs. 103-503 and 103-512.4.A (2012).

3. The appropriate test year for use in this proceeding is January 1, 2012, to December 31, 2012. USSC submitted evidence in this case with respect to its revenues and expenses using a test year consisting of the twelve (12) months ended December 31, 2012. The Settlement Agreement is based upon the same test year and reflects ORS's proposed adjustments to the test year revenue and expense figures submitted by USSC.

4. The Settlement Agreement resolving the issues in this proceeding between the Parties was submitted into the record during the hearing before the Commission on November 4, 2013.

5. By its Application, USSC requested an increase in rates and charges of \$1,448,799 for its combined operations to produce net operating income of \$1,149,757 after the proposed increase (Application, Exhibit B, Schedule B).

6. The Settlement Agreement, which reflects ORS's proposed accounting and pro forma adjustments to test year revenues and expenses, provides for an increase in operating revenues, of \$841,000 and an agreed upon 9.23% ROE, producing an Operating Margin of 12.48%.

7. As a result of the Settlement Agreement and the agreed upon ROE, Operating Margin, and proposed increase, Net Income for Return is calculated to be \$904,677 (total operating revenues of \$4,060,464, less total operating expenses of \$3,156,040 plus customer growth of \$253).

8. After careful review and consideration by this Commission of the Settlement Agreement and the evidence contained in the record of this case, including the testimony of the witnesses and the hearing exhibits, the Commission finds and concludes

that the Settlement Agreement results in just and reasonable rates and charges for the provision of water and sewer services. Based on the operating revenues, income, and expenses agreed upon by the Parties, the resulting allowable operating margin for the Company is 12.48%. See S.C. Code Ann. § 58-5-240(H) (Supp. 2012).

9. The Commission finds that the rates and charges reflected in the rate schedule agreed to by the Parties in the Settlement Agreement, which rate schedule is included in the Settlement Agreement as Settlement Agreement Exhibit-1, are just and reasonable, fairly distribute the costs of providing service as reflected in the Company's revenue requirement and allow USSC to continue to provide its customers with adequate water and sewer service. We find that the rate schedule agreed to by the Parties provides terms and conditions for water and sewer services that are also just and reasonable. Further, the agreed upon rates allow USSC an opportunity to earn a reasonable return on its investment. We therefore find that the proposed rates, charges, and terms and conditions of service contained in the rate schedule attached to the Settlement Agreement and identified as Settlement Agreement Exhibit-1 are just and reasonable and are hereby approved in their entirety. The Settlement Agreement with its attached Settlement Agreement-1 is attached to this Order as Order Exhibit 1.

10. The Commission finds that the proposed modifications and additions to the terms and conditions of the Company's water and sewer service, specifically the language providing for the establishment of: (1) a \$40 non-recurring water disconnection charge, (2) a \$35.00 water meter installation fee, (3) a \$500 (no elder valve) or \$40 (elder valve) non-recurring sewer disconnection charge, and (4) a tampering charge of up to \$250 per

occurrence for actual costs incurred by USSC are appropriate, just, and reasonable. The Commission further finds that the proposed increase in the Notification Fee to be charged by USSC for delinquent sewer customers is reasonable and approves the \$15.00 Notification Fee.

11. By agreement of the Parties, the Company's request for the establishment of a leak mitigation fund charge to USSC's customers is denied.

III. EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 1-3

The Company is a public utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. § 58-3-140(A) (Supp. 2012) and 58-5-210 (1976). The Commission requires the use of an historic twelve-month test period under 10 S.C. Code Ann. Regs. 103-823(A)(3) (2012). These findings of fact and conclusions of law are informational, procedural and jurisdictional in nature and are not contested by any party of record in this proceeding.

IV. EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 4-12

The Commission last approved an increase in USSC's rates by Order No. 2013-77 dated February, 12, 2013, in Docket No. 2007-286-WS, which allowed an operating margin for the Company of 9.12% and utilized a test year for the twelve months ending December 31, 2006. Tr. p. 164, ll. 164; Order No. 2013-77 in Docket No. 2007-286-WS. On June 28, 2013, USSC filed its application seeking an increase in annual operating revenues of \$1,448,799. Application, Exhibit B, Schedule B. The Company and ORS submitted

evidence in this case with respect to revenues and expenses using a test year for the twelve months ending December 31, 2012. The Settlement Agreement filed by the Parties on November 4, 2013, is based upon the same test year and provides for an increase in annual operating revenues of \$841,000. The Parties have also agreed to an ROE of 9.23%, and an Operating Margin of 12.48%. Hearing Exhibit 9.

a) Basis for Rate Relief

According to the testimony of USSC witness Lubertozi, the Company is not able to meet its operating costs and earn a reasonable return on investment in the USSC system. Tr. P. 269, ll. 9-10. Mr. Lubertozi's testimony indicated that for the test year period ending December 31, 2012, USSC calculated a net loss of \$172,867 which generated a return on equity of -2.70%. *Id.* at ll. 2-3.

Although the increase in allowable expenses reflected in the testimony of ORS witness Gearheart and her Exhibit ICG-1 is less than initially asserted by the Company, adjusted test year amounts reveal a negative operating margin. After ORS' accounting and pro forma adjustments, test year Operating Revenues were \$3,219,464, Operating Expenses were \$2,829,357, Net Income for Return was \$390,219, and Operating Margin was -0.24%. Hearing Exhibit 17. Based on these adjusted test year amounts, the Commission concludes that rate relief is appropriate.

b) Approved Rates, ROE, and Resulting Operating Margin

Company witness Durham asserted that the settlement reached by the Parties is fair and reasonable and that the charges resulting from the terms of the Settlement Agreement represented a fair compromise of the Parties' position in this case. Tr. P. 162, ll. 4- 1. Mr.

Durham also testified that the settlement has the benefit of providing the Company and the customers with certainty and has the effect of reducing regulatory costs thereby resulting in savings to both the Company and the customers. *Id.* at p. 162, ll. 19-23.

In her testimony, ORS witness Gearhart stated that increase in revenues of \$841,000 agreed to in the Settlement Agreement produces a 12.48% operating margin. Tr. P. 323, ll.15 – 21; Hearing Exhibit 17. Under the Settlement Agreement, the Parties have agreed to rates which should produce additional revenue of \$841,000. Hearing Exhibit 9, page 3, ¶ 2. With these additional revenues, Operating Revenues are calculated to be \$4,060,464; Total Operating Expenses are \$3,156,040; Customer Growth is \$253, and Net Income for Return is \$904,677. Hearing Exhibit 17. Operating Margin is calculated as 12.48%. Hearing Exhibit 9, page 3, ¶ 2; Hearing Exhibit 17.

In his testimony, Dr. Carlisle recommended an appropriate range for the ROE of USSC. Dr. Carlisle's recommended range of 8.86% to 9.60% supports the ROE of 9.23% as settled on by the Parties as a fair and reasonable rate.

c) Rate Design

The Settlement Agreement contemplates continuation of the current rate structure. Under the Settlement Agreement, the Parties agreed to an increase in rates for water service where USSC will charge its residential water customers a base facility charge of \$19.75 per month, a commodity charge of \$7.02 per 1,000 gallons for customers being served with water from a well source, and a distribution charge of \$3.75 per 1,000 gallons plus the cost of the water charged by the third party supplier for distribution only customers. Commercial customers with a 1" meter or greater will be charged a higher base facility

charge for water service based upon the size of the meter. The Parties also agreed to a flat rate of \$53.55 per month for residential sewer service, a minimum flat rate of \$53.55 per month for each single-family equivalent¹ (“SFE”) for commercial service, and a base charge of \$34.44 per month for each SFE for sewer collection only service plus treatment charges imposed by a third party entity for both residential and commercial customers. Hearing Exhibit 9; Tr.163, ll. 1-11. The complete rate table is contained in Settlement Agreement Exhibit-1, which is part the Settlement Agreement. *See* Order Exhibit 1 attached.

Rate design is a matter of discretion for the Commission. In establishing rates, it is incumbent upon us to fix rates which “distribute fairly the revenue requirements [of the utility.]” *See Seabrook Island Property Owners Association v. S.C. Public Service Comm’n*, 303 S.C. 493, 499, 401 S.E.2d 672, 675 (1991). Our determination of “fairness” with respect to the distribution of the Company’s revenue requirement is subject to the requirement that it be based upon some objective and measurable framework. *See Utilities Services of South Carolina, Inc. v. South Carolina Office of Regulatory Staff*, 392 S.C. 96, 113-114, 708 S.E.2d 755, 764-765 (2011).

We conclude the rate design proposed by the Settlement Agreement is reasonable as this rate design fairly distributes the revenue requirement of the Company among the classes of customers.

d) Additions to and changes in the terms and conditions of service

The Company and ORS propose four changes in the USSC rate schedule: (1) a \$40

¹ An SFE is determined using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities.

non-recurring water disconnection charge, (2) a \$35 water meter installation fee, (3) a \$500 (no elder valve) or \$40 (elder valve) non-recurring sewer disconnection charge, and (4) a tampering charge of up to \$250 per occurrence for actual costs incurred by USSC are appropriate. The Commission finds that these proposed changes to the Company's rate schedule are just, fair and reasonable. The Commission further finds that the proposed increase in the notification fee charged by USSC for delinquent sewer customers is reasonable.

The testimony of ORS witness Morgan reflects that ORS has investigated the actual costs to the Company of providing the services which these specific non-recurring charges are sought. According to Mr. Morgan, this language and the associated charges are acceptable in order to prevent the general body of ratepayers for paying a share of these costs which should be charged to those individual ratepayers causing or incurring such expenses. Tr. pp. 350 – 354.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Settlement Agreement, including attachments, attached hereto as Order Exhibit 1 is incorporated into and made a part of this Order by reference.
2. The Settlement Agreement between the Parties is adopted by this Commission and is approved as it produces rates that are just and reasonable and in the public interest as well as providing a reasonable operating margin for the Company.
3. The rates approved shall be those rates agreed upon in Settlement Agreement Exhibit-1 of the Settlement Agreement as shown in Order Exhibit 1 and shall

be effective for service rendered by the Company on and after the date of this order. In addition, Utility shall continue to limit the amount of non-account water charged to customers not to exceed 10% of total water purchased from the governmental body or agency, or other entity. Water loss due to leaks and routine system flushing must be accounted for and thoroughly documented by detailing location, timeframe, and reason for leak or flushing.

4. The additional revenues that the Company is entitled the opportunity to earn result in an operating margin of 12.48%.

5. The Company's books and records shall be maintained according to the NARUC Uniform System of Accounts. In addition, USSC shall properly record assets and the disposition of those assets, including retirements, in its books and records.

6. USSC shall submit bulk water contracts, whether the bulk contract is for supplemental water or for supply, for Commission approval pursuant to 10 S.C. Code Ann. Regs. 103-743 (2012). Within 90 days after the date of this order, USSC shall submit for Commission approval the bulk water supply contracts it entered into for the following locations: Towncreek Acres, Indian Cove, Charleswood, and Farrowood subdivisions.

7. USSC shall provide notice, as required by its tariff, to the Commission and USSC's customers prior to billing its customers for an increase in bulk water charges.

8. USSC shall continue to maintain the current performance bond amount for water operations in the amount of \$350,000 and increase the performance bond amount for wastewater operations to \$220,000.

9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

Nikiya Hall, Vice-Chairman

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-201-WS

October 31, 2013

IN RE: Application of Utilities Services of)
 South Carolina, Inc. For Adjustment of)
 Rates and Charges and Modifications of)
 Certain Terms and Conditions for the)
 Provision of Water and Sewer Service) **SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and between Utilities Services of South Carolina, Inc. ("USSC" or the "Company") and the South Carolina Office of Regulatory Staff ("ORS"), whom may collectively be referred to as the "Parties" or sometimes individually as a "Party".

WHEREAS, on June 28, 2013, USSC filed an Application for the Adjustment of Rates and Charges (the "Application") requesting that the Commission approve the revised rates, charges, conditions, and terms of service in certain areas of Abbeville, Anderson, Lexington, Richland, Saluda, Sumter, and York Counties;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the "Commission") pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2012) and 10 S.C. Code Ann. Regs. 103-512.4.B and 103-712.4.B;

WHEREAS, the Company provides sewer service to approximately 354 residential and commercial sewer customers and water supply/distribution service to approximately 6,361 residential and commercial water customers;

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December __, 2013

WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of USSC and its wastewater collection and treatment facilities; and

WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in the best interests of the Company and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Arbitrator in his Report and the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for sewer and water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. As reflected therein, the Parties have agreed to a flat rate of \$53.55 per month for residential sewer service, a minimum flat rate of \$53.55 per month for each single-family equivalent ("SFE") for commercial service, and a flat rate of \$34.44 per month for each SFE for sewer collection only service for both residential and commercial customers. The Parties further agree that there shall be an increase in rates for water service and that the Company will charge its residential water customers a base facility charge of \$19.75 per month, and a commodity charge of \$7.02 per 1,000 gallons for customers being served with water from a well source and \$3.75 per 1,000 gallons for distribution only customers. Commercial customers with a 1" meter or greater will be charged a higher base facility charge for water service.

2. The Parties agree that the above stated rates are fair, just, and reasonable to customers of the Company's system while also providing the opportunity to earn a fair operating margin at an agreed upon 9.23% Return on Equity Rate which produces additional revenue of \$841,000. The Parties stipulate that the resultant operating margin is 12.48%.

3. USSC agrees to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts as required by the Commission's rules and regulations. USSC further agrees to consult with the ORS regarding the manner in which it records its operating expenses, its assets and their disposition including retirements. USSC further agrees to consult with ORS regarding the manner in which it identifies invoices to be used for ratemaking purposes.

4. The Company agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a water and sewer system.

5. The Company agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2012). The Company agrees to maintain its current Irrevocable Letter of Credit ("ILC") in amount of Three Hundred Fifty Thousand Dollars (\$350,000) for water service and to increase the amount of its ILC from the current One Hundred Fifty Thousand Dollars (\$150,000) to Two Hundred and Twenty Thousand Dollars (\$220,000) for wastewater operations to satisfy the requirements of S.C. Code Ann. §58-5-720 (Supp. 2012).

6. The Company agrees to maintain the current provision in its tariff which caps the amount of non-account water which USSC is allowed to pass-through to its customers who are supplied water through a third party bulk provider at ten percent. USSC will continue to provide

notice to the Commission and USSC customers of any increase in bulk water charges prior to billing its customers for such increase. The Company further agrees to obtain Commission approval of the bulk water supply contracts which it has entered for Towncreek Acres, Indian Cove, Charleswood, and Farrowood subdivisions.

7. The Parties agree that the Company should be permitted to amend its tariff to provide for the collection of disconnection charges in certain circumstances and for the recovery of the Company's actual costs, up to a maximum of \$250, for costs incurred to repair water or sewer facilities damaged due to tampering.

8. The Company agrees to provide the additional terms and conditions to its tariff to be filed with the Commission:

A. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1½%) for each month, or any part of a month, that said payment is late.

B. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-532.1 (and 103-732.2) as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

C. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

9. The Leak Mitigation Program presented in the Company's Application is removed from consideration in this case.

10. The Parties agree to cooperate in good faith with one another in recommending to the Arbitrator and the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

11. The Parties agree to stipulate into the record the pre-filed direct testimonies and exhibits of Steven Lubertozzi, Karen Sasic, Patrick Flynn, Dylan D'Ascendis, and Pauline Ahern on behalf of USSC, as well as the pre-filed direct testimony and Audit Exhibits ICG-1 through ICG-8 of ORS witness Ivana C. Gearheart, the pre-filed direct testimony and Exhibits WJM-1 through WJM-6 of ORS witness Willie J. Morgan, and the direct testimony and Exhibits DHC-1 through DHC-14 of ORS witness Douglas H. Carlisle in support of this Settlement Agreement.

12. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public

while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

13. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

14. This Settlement Agreement shall be interpreted according to South Carolina law.

15. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

16. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

Representing the South Carolina Office of Regulatory Staff



Jeffrey M. Nelson, Esquire

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December __, 2013

Representing Utilities Services of South Carolina, Inc.



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December ____, 2013

SCHEDULE OF PROPOSED RATES AND CHARGES

WATER

1. Monthly Charges

Residential (less than 1" meter)

Monthly charge per single-family house,
Condominium, mobile home, or apartment unit:

	<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
Base Facilities Charge	\$16.53 per unit	\$24.24 per unit	\$19.75 per unit
Commodity Charge	\$5.40 per 1,000 gallons or 134 cft.	\$7.91 per 1,000 gallons or 134 cft.	\$7.02 per 1,000 gallons or 134 cft.

Commercial/Residential (for 1" meter or greater)

Base Facilities Charge by meter size

1" meter	\$44.00 per unit	\$64.52 per unit	\$55.02 per unit
1.5" meter	\$80.00 per unit	\$117.31 per unit	\$101.10 per unit
2" meter	\$130.00 per unit	\$190.63 per unit	\$162.00 per unit
3" meter	\$275.00 per unit	\$403.26 per unit	\$345.02 per unit
4" meter	\$403.02 per unit	\$590.99 per unit	\$504.50 per unit
Commodity Charge	\$5.40 per 1,000 gallons or 134 cft.	\$7.91 per 1,000 gallons or 134 cft.	\$7.02 per 1,000 gallons or 134 cft.

Charge for Water Distribution Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Company, the following rates apply:

Monthly charge per single-family house,
Condominium, mobile home, or apartment unit:

	<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
Base Facilities Charge	\$16.53 per unit	\$24.24 per unit	\$19.75 per unit
Commodity Charge	\$2.91 per 1,000 gallons or 134 cft.	\$4.26 per 1,000 gallons or 134 cft.	\$3.75 per 1,000 gallons or 134 cft.

Utilities Services of South Carolina, Inc.
Docket 2013-201-WS
Rates Overview

Settlement Agreement
Exhibit -1
(CORRECTED – contains
revisions presented at hearing)

Commercial/Residential (for 1” meter or greater)

Base Facilities Charge by meter size

1” meter	\$44.00 per unit	\$64.52 per unit	\$55.02 per unit
1.5” meter	\$80.00 per unit	\$117.31 per unit	\$101.10 per unit
2” meter	\$130.00 per unit	\$190.63 per unit	\$162.00 per unit
3” meter	\$275.00 per unit	\$403.26 per unit	\$345.02 per unit
4” meter	\$403.02 per unit	\$590.99 per unit	\$504.50 per unit
Commodity Charge	\$2.91 per 1,000 gallons or 134 cft.	\$4.26 per 1,000 gallons or 134 cft.	\$3.75 per 1,000 gallons or 134 cft.

The utility will also charge for the cost of water purchased from the bulk water provider. The charges imposed by the bulk water provider will be charged to the Utility’s affected customers on a pro rata basis without markup. The Utility shall limit the amount of non-account water charged to customers not to exceed 10% of total water purchased from the governmental body or agency, or other entity. Water loss due to leaks and routine system flushing must be accounted for and thoroughly documented by detailing location, timeframe and reason for leak or flushing. Where the utility is required by regulatory authority with jurisdiction over the utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the utility’s affected customers on a pro rata basis, without markup. The utility shall give the Commission thirty days’ notice of its intent to pass-through to customers purchased water charges with are higher than those in effect at the time of the Commission’s approval of the within rate schedule. The utility shall provide with such notice written documentation of an increase in the amount of purchased water justifying the increase in the amount of the purchased water charges sought to be passed through to affected customers. In the event that an increase in the amount of purchased water charges to be passed through to customers is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days’ notice before the increase in the purchased water charges to be passed through may be put into effect.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

When it is impractical to meter each unit separately because of the method of water line installation utilized by the developer or owner, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

For the convenience of the owner, the Utility will bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be

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provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. Non-Recurring Charges

A) Tap Fees	\$500.00 per SFE*
B) Water meter – 5/8 inches x ¾ meter	\$35.00

All 5/8 inch x ¾ inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$35 shall be due upon installation for those locations where no 5/8 inch x ¾ inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's **actual cost** of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

3. Account Set-Up and Disconnection Charges

a. Customer Account Charge – for new customers only

<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
\$25.00	\$30.00	\$30.00

b. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, and the customer has been found to have vacated his premises or the customer has shown his intent to vacate his premises and the imposition of a reconnection charge is not feasible, a disconnection fee shall be due in the amount of forty dollars (\$40.00) and shall be due prior to the Utility reconnecting service.

c. Tampering Charge: In the event the Utility's equipment, water mains, water lines, meters, curb stops, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 ½%) for each month, or any part of month, that said payment is late.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

7. Cross-Connection Inspection

Any customer installing, permitting to be installed, or maintain any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.8, as may be amended from time to time. Said report and results must be provided by the customer to the Utility within 30 days of inspection. If a customer fails to comply with the requirement to perform annual inspections, the Utility may disconnect water service after 30 days' written notice. The Utility shall provide affected customers with an advanced annual notification of such certification requirement.

8. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-732.2 as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must

provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. For water service to customers not described in R. 61-67, such as irrigation service, the tap fees shall be the same as those for one (1) SFE.

SCHEDULE OF PROPOSED RATES AND CHARGES

SEWER

1. Monthly Charges

	<u>Current</u>	<u>USSC Proposed</u>	<u>Settlement</u>
<u>Residential</u>			
Monthly charge per single-family house, Condominium, condominium, villa or apartment unit:	\$41.39 per unit	\$65.31 per unit	\$53.55 per unit
Mobile Homes – monthly charge	\$29.74 per unit	\$65.31 per unit	\$53.55 per unit

Commercial

Monthly charge per single family equivalent*
\$41.39

\$65.31

\$53.55

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Wikoff Plant

Not applicable

\$547.09

\$856.80

Charge for Sewage Collection Service Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

Residential

Monthly charge per single-family house,
Condominium, condominium, villa or
apartment unit:

\$26.64 per unit

\$42.04 per unit

\$34.44 per unit

Commercial

Monthly charge per single family equivalent*

\$26.64 per unit

\$42.04 per unit

\$34.44 per unit

The Utility will also charge for treatment services provided by the government body or agency or other entity. The rates imposed or charged by the government body or agency or other entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of the 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are

imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup. The utility shall give the Commission thirty days' notice of its intent to pass-through to customers treatment charges with are higher than those in effect at the time of the Commission's approval of the within rate schedule. The utility shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of the treatment charges sought to be passed through to affected customers. In the event that an increase in the amount of treatment charges to be passed through to customers is found by the Commission to be so justified, USSC will then be required to give customers an additional thirty days' notice before the increase in the treatment charges to be passed through may be put into effect.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated at the interceptor tank, the Utility will arrange for pumping the tank, and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2. Non-recurring Charges

A) Tap Fee \$500 per SFE*

The non-recurring charges listed above are minimum charges and apply even if the equivalency rating of a non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. Notification, Account Set-Up and Disconnection Charges

- a. Notification fee: A fee of fifteen dollars (\$15.00) shall be charged to each customer per notice to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- b. Customer Account Charge: A fee of thirty dollars (\$30.00) shall be charged as a one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.
- c. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R. 103-532.4, the customer is found to have vacated his premises or the customer has shown his intent to vacate his premises and the imposition of a reconnection charge is not feasible, a disconnection fee in the amount of \$500.00 shall be due at the time the customer disconnects service. Where an elder valve has been previously installed, a disconnection fee of forty dollars (\$40.00) shall be charged.
- d. Tampering Charge: In the event the Utility's equipment, sewage pipes, meters, curb stops, service lines, elder valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

4. Billing Cycle

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

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5. Late Payment Charges

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1½%) for each month, or any part of a month, that said payment is late.

6. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capabilities of the utility, the Utility may provide an electronic bill to the customer on the Utility's website, in lieu of mailing a paper copy. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-532.1 as may be amended from time to time. Late payment charges will not be triggered until twenty-five (25) days after the Utility issues the electronic bill and it leaves the control of the Utility or its billing agent. The Utility must provide notice to the customer that the bill form is available for review within twenty four hours of its issuance and the web address of its location.

7. Toxic and Pretreatment Effluent Guidelines

The utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

8. Construction Standards

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

9. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its sewer system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the

Utility from adding additional customers to the serving sewer system. In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2006), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.